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FROM : AMEMBASSY, TRIPOLI

TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE January 25, 1956

REF :

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SUBJECT: Conversation with Prime Minister on Aid to Libya

There is enclosed a memorandum of conversation covering a discussion with Prime Minister BEN HALIM on the subject of American assistance to Libya. Although the substance of this conversation was reported in the Embassy's telegram number 368 of January 24, it is believed that the responsible officers of the Department will find it helpful to have a more detailed report of the Prime Minister's professed reason for considering our aid offer inadequate.

For the Ambassador:

David G. Nes
Counselor of Embassy

Enclosure:

1 - SECRET Memorandum of Conversation

Copies to:

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MEMORANDUM OF CONVERSATION

January 22, 1956

Participants: Prime Minister BEN HALIM,
Government of the United Kingdom of Libya.

Ambassador John L. TAPPIN,
American Embassy, Tripoli.

Colonel William J. CAIN, Jr.,
Base Commander,
Wheelus Field, Tripoli.

David G. NES,
Deputy Chief of Mission,
American Embassy, Tripoli.

Following a small dinner party given at the Embassy residence in honor of the Ambassador's fiftieth birthday, Mr. Nes drew the Prime Minister aside to discuss with him the news from Washington re the release of economic aid, wheat, and perhaps arms assistance to Libya contained in Deptel 280 and ICATO 183.

Mr. Nes asked the Prime Minister whether he was pleased with the information just received re economic, wheat and arms assistance and whether this information could not, in fact, be used to strengthen his internal political position. The Prime Minister said that he was pleased with two items — the wheat and the possibility of opening military staff talks re arms assistance. He was however disappointed by the figure of $3 Million in economic assistance which he described as constituting a failure on the part of the United States to live up to its commitment made during the Base Agreement discussions in Washington in July 1954. The Prime Minister reviewed his version of the latter discussions at some length and said that at the time Libya had been promised the $3 Million in economic aid for Fiscal 1955 but had been told that this was merely a "token" of good faith and that in future years the United States would consider sympathetically Libya's economic needs as they were substantiated in sound economic development projects. He and the Libyan delegation had thus been led to believe that future economic aid would greatly exceed the original $3 Million and had so informed Parliament at the time the Base Agreement was up for ratification. It was this assurance of "sympathetic consideration" which alone had enabled him to obtain Parliamentary ratification. Were he now to go to Parliament and say that he had obtained only $3 Million this year, he would be placed in an "impossible position".

Mr. Nes then said there were, however, a number of advantageous points which the Prime Minister should consider in connection with a grant of $3 Million. Briefly they were:

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(1) An allocation of economic aid for Libya had been announced and released before that of any other Near Eastern country. The "special" position of Libya was thus recognized by Washington and there could be no question but that the United States considered Libya a trustworthy ally and friend and so had been able to release an aid figure prior to the termination of the present U.S.-U.K. discussions in Washington which were intended to establish a new U.S.-U.K. policy toward the Near East as a whole.

(2) The $3 Million was in effect an addition to the $4 Million committed as aid for this year during the Base Agreement negotiations, making a total of $7 Million On a per capita basis, this amount would, Mr. Nes assured him, compare favorably with that given any other country.

(3) The $7 Million in economic aid was after all only a part of overall United States assistance to Libya which included gift wheat, technical assistance, and now arms aid, the total value of which would probably this year exceed $10 Million and thus equal the British financial contribution.

(4) Economic development projects took time to get underway and their cost was usually minimal during the first year or so. Therefore, it was doubtful whether Libya could absorb this year more than she was receiving from the U.S. and U.K.

Ben Halim said these arguments were perhaps sound in theory but that from a practical standpoint he would like to comment upon them in order.

(1) Receiving an allotment prior to the other Near Eastern countries might in reality result in a disadvantage, for once Libya had been "taken care of" the other countries would probably share in the remainder of the available funds in direct proportion to the threat of their Soviet penetration. He would therefore have preferred waiting to receive Libya's share until the allotments for the other Near Eastern countries, particularly Egypt, had been determined.

(2) During the Washington discussions a figure of $3 Million over and above the $4 Million Base "rent" had been referred to as a "minimum" and he had been assured future aid would greatly exceed this amount.

(3) He could not possibly consider gift wheat as a part of economic assistance since he had always presented it to the Libyan people as an humanitarian relief measure undertaken by the United States to alleviate famine conditions. Secondly, Libya had not yet received the few arms promised her; and finally, American technical assistance, although effective in providing jobs for Americans, had had little impact in Libya.

(4) Although it might be true that Libya could not absorb more than $7 Million this year, it was nevertheless impossible to plan economic development unless a commitment to finance an entire development plan was at hand. Libya must know what she can count on from the U.S. before embarking upon actual projects, the cost of which will mount in future years.

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At this point Ambassador Tappin and Colonel Cain joined in the conversation and Ambassador Tappin, in addition to reviewing the four points already made by Mr. Nes, stressed the fact that American legislative procedures made it virtually impossible for us to plan ahead insofar as economic development programs were concerned since aid had to be appropriated on a year-to-year basis. The Ambassador said that this entire problem was now under discussion at the highest levels in Washington with the Eisenhower Administration strongly favoring a system whereby the U.S. could make commitments for future years and thus enable their friends and allies to embark on long-range economic programs. Until this issue were settled there was nothing whatsoever that could be done about it and it was thus a question of faith and trust in the ultimate intentions of the U.S. He personally did not feel that the U.S. would ignore the economic needs of its friends in future years and although it was not possible to give any specific or firm assurances with regard to Libya, the Prime Minister would have to rely on the good intentions of the United States in the future. With respect to the Prime Minister's criticism of LARC, the Ambassador said that the purpose of LARC was to wisely allocate to projects U.S. aid funds but that, once allocations were made, it was the sole responsibility of the action agencies of the Libyan Government to execute the projects. Mr. Nes then pointed out that of the five major projects in which the Prime Minister had evidenced interest when LARC was set up, funds for two had already been transferred -- namely the National Bank and Agriculture Bank, that funds for the third, the Tripoli Power Plant, were available for transfer as soon as agreement had been reached between the Libyan Government and the present ownership, and that with respect to the fourth and fifth projects -- namely the Benghazi Harbor and Fezzan Road -- the necessary preliminary surveys were under way and actual construction must necessarily await their completion. The Prime Minister admitted that this was true but said that in the first three cases the projects were not truly "development projects" and that all LARC had done was to "transfer funds".

Ambassador Tappin, in reiterating his thesis that Libya must choose between the U.S. and the Soviets on the basis of their respective long-range intentions toward Libya rather than on strictly money terms, said that Russian economic aid offers, although seemingly attractive and without strings, were made solely with a view to eventual subversion. After further lengthy discussion of Libyan economic requirements the Prime Minister arranged an appointment with the Ambassador for noon the next day and excused himself from the party.

Although an effort was made by both Ambassador Tappin and Mr. Nes to extract from the Prime Minister the latter's ideas as to the amount of economic aid he would consider acceptable, the latter would not commit himself on the subject but did make an indirect reference to a figure approximating the British annual contribution -- i.e. $10.5 Million. It was evident he was thinking in terms of the Libyan Five Year Public Development and Stabilization Plan, whose total cost is estimated at $65 Million.

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